

Message Text

SECRET

PAGE 01 TAIPEI 00641 280457Z

14

ACTION PM-04

INFO OCT-01 EA-07 ISO-00 INR-07 SS-15 SP-02 L-03 AID-05

IGA-02 H-02 CIAE-00 NSAE-00 EB-07 OMB-01 TRSE-00

NSC-05 MC-02 ACDA-05 /068 W
----- 059307

P R 280405Z JAN 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 8341

SECDEF WASHDC PRIORITY

INFO CINCPAC

CHMAAG TAIPEI TAIWAN

USTDC

S E C R E T TAIPEI 0641

E.O. 11652: GDS

TAGS: MASS, TW

SUBJECT: FY 1977 MILITARY SECURITY ASSISTANCE

REF: STATE 017013 (DTG 230319Z JAN 76 NOTAL)

BEGIN CONFIDENTIAL

1. FOLLOWING ARE ANSWERS TO QUESTIONS IN PARAGRAPH 6 OF
REFTEL. ANSWERS ARE KEYED TO QUESTIONS.

A. OUR JUDGEMENT IS THAT THE GROC WILL ACCEPT AND
CONSUMMATE CREDIT AGREEMENTS AT THE 35 MILLION DOLLAR LEVEL.
GROC HAS REQUESTED 80 MILLION DOLLARS CREDIT FOR FY 77 AND COUNTRY
TEAM HAS RECOMMENDED 65 MILLION DOLLARS (SEE CHIEF MAAG 110803Z
DEC 75).

B. THE COUNTRY TEAM HAS DETERMINED THAT THE FOLLOWING
MAJOR ITEMS SHOULD BE PROCURED IN PRIORITY ORDER:

PRIORITY	ITEM	AMOUNT
		(US\$MILLIONS)

SECRET

SECRET

PAGE 02 TAIPEI 00641 280457Z

1	F-5E (CO-PRODUCTION PROGRAM)	19.2
---	------------------------------	------

- 2 IMPROVED HAWK ACQUISITION 10.0
- 3. SEMI-AUTOMATED AIR DEFENSE SYSTEM 5.8
35.0

C. YES, PROVISION OF CREDIT SUPPORTS A MILITARY REQUIREMENT DERIVED FROM A US-APPROVED FORCE GOAL.

D. THE ROC IS SHIFTING ITS MILITARY POSTURE TO EMPHASIZE AIR AND NAVAL DEFENSE WHICH IS IN CONCERT WITH US INTERESTS IN THE AREA. FMS CREDITS ARE USED AS SEED MONEY TO STEER THE ROC TOWARD PROCUREMENT OF WEAPONS SYSTEMS WHICH RESPOND TO US IDENTIFIED GOALS.

E. THE US SECURITY ASSISTANCE PROGRAM TO THE ROC HAS BEEN GRADUALLY REDUCED AND THE GRANT MATERIAL PROGRAM HAS BEEN TERMINATED. THE GRANT TRAINING IN THE US AT HIGHER MANAGEMENT LEVELS PROVIDES THE ANALYTICAL CAPABILITY TO PLAN AND PROGRAM THE ACQUISITION OF WEAPONS SYSTEMS NEEDED TO SUPPORT ROC DEFENSE POSTURE.

F. THE FMS CREDIT PROGRAM, WITH THE ADVICE AND MONITORING PROVIDED BY THE MAAG HAS BEEN AN ESSENTIAL ELEMENT IN THE DEVELOPMENT OF THE ROC'S HIGH STATE OF MILITARY READINESS AND ITS PREDOMINANTLY DEFENSE-ORIENTED WEAPONS INVENTORY. UNDER PRESENT CONDITIONS, THE CONTINUATION OF FMS CREDIT FOR TAIWAN WILL PROMOTE US INTERESTS AND OBJECTIVES. MAAG CAN AND DOES INFLUENCE ROC DEFENSE ACQUISITION THROUGH THE USE OF FMS CREDITS. USED AS SEED MONEY, FMS CREDIT ALLOCATIONS GIVE THE MISSION SOME LEVERAGE IN STEERING THE ROC TOWARD PROCUREMENT OF WEAPONS SYSTEMS WHICH RESPOND MOST DIRECTLY TO THE PRIMARY THREATS AGAINST TAIWAN. FMS CREDITS ADDITIONALLY ASSURE THAT THE ROC BUYS US WEAPONS SYSTEMS, AN OBVIOUS ADVANTAGE TO US FROM A COMMERCIAL STANDPOINT, AND IN TERMS OF KEEPING ROC ARMAMENTS COMPATIBLE WITH THOSE OF THE US.
END CONFIDENTIAL

BEGIN SECRET

G. THE ONLY REGIONAL ARMS BALANCE RELEVANT TO TAIWAN IS
SECRET

SECRET

PAGE 03 TAIPEI 00641 280457Z

THAT WHICH EXISTS BETWEEN ROC AND PRC ARMED FORCES. THE BASIC APPROACH OF THE SECURITY ASSISTANCE PROGRAM HAS BEEN TO DEVELOP A CREDIBLE DETERRENT TO A PRC ATTACK WITHOUT PROVIDING A COUNTER FOR EVERY PRC WEAPONS SYSTEM. IT IS ALSO IMPORTANT IN TERMS OF US/PRC NORMALIZATION PROCESS THAT ROC MILITARY CAPABILITIES BE DEFENSIVE IN NATURE. WE DO NOT BELIEVE THAT EITHER THE PROJECTED 35 MILLION DOLLAR OR RECOMMENDED 65 MILLION DOLLAR LEVEL OF CREDITS WILL HAVE

AND UNDESIRABLE IMPACT ON THE BALANCE BETWEEN ROC AND PRC ARMED FORCES. THE 65 MILLION LEVEL HAS BEEN FULLY JUSTIFIED AND WOULD BE IN KEEPING WITH OUR OVERALL SECURITY ASSISTANCE POLICY.
END SECRET

BEGIN CONFIDENTIAL

H. YES, THERE IS A DEMONSTRABLE NEED FOR MILITARY CREDIT ASSISTANCE. THE SYSTEMS REQUIRED BY THE ROC FOR A CREDIBLE AIR AND NAVAL DEFENSE CAN ONLY BE PROCURED ON A TIMELY BASIS WITH THE HELP OF FMS CREDITS. THE LONG-RANGE ECONOMIC OUTLOOK IS FAVORABLE AND DIMINISHING CREDIT REQUIREMENTS ARE PROJECTED FOR FUTURE YEARS.

I. BASIC FINANCIAL CONDITION OF ROC IS SOUND AND PROPOSED CREDIT WILL NOT PLACE UNDUE BURDEN ON COUNTRY'S RESOURCES. BY USUAL CRITERIA MEASURING A COUNTRY'S SOLVENCY VIS-A-VIS REST OF WORLD, ROC IS IN GOOD SHAPE. DEBT SERVICE RATIO HAS BEEN RUNNING ABOUT 5 PERCENT, THAT IS, ROC HAS BEEN EARNING ENOUGH FROM EXPORTS TO MAKE ITS ANNUAL PAYMENTS ON FOREIGN DEBT, BOTH PRINCIPAL AND INTEREST, 20 TIMES OVER. THE 1975 FIGURE IS A LITTLE HIGHER, ABOUT 7 PERCENT, BUT STILL AT AN UNUSUALLY LOW LEVEL FOR A DEVELOPING COUNTRY. FOREIGN EXCHANGE RESERVES STAND AT US\$2 BILLION, OR THE EQUIVALENT OF ABOUT 4 MONTHS OF IMPORTS, AND TOTAL EXTERNAL DEBT IS ONLY SLIGHTLY HIGHER, AT ABOUT \$2.5 BILLION. THIS SOLID FINANCIAL CONDITION IS NOT UNUSUAL BUT HAS BEEN THE PATTERN FOR THIS COUNTRY AND INDICATES VERY ABLE FINANCIAL MANAGEMENT. THUS THERE IS NO REASON TO DOUBT ROC'S CONTINUED ABILITY TO ABSORB ADDITIONAL FOREIGN DEBT, BOTH FOR MILITARY AND DEVELOPMENT PURPOSES.

J. THERE ARE NO OTHER ARMS PURCHASES THE GROC IS MAKING
SECRET

SECRET

PAGE 04 TAIPEI 00641 280457Z

FOR CASH OR CREDIT FROM US OR THIRD COUNTRIES WHICH ARE RELEVANT TO EXTENSION OF PROPOSED FY 1977 CREDIT. WITH TWO MAJOR EXCEPTIONS ALL MAJOR WEAPONS SYSTEMS ACQUISITIONS HAVE BEEN FROM THE US THROUGH USG PROCUREMENT CHANNELS. THE ROC PREFERS TO PURCHASE ALL OF ITS WEAPONS SYSTEMS FROM THE US THROUGH USG CHANNELS BECAUSE OF ITS TRADITIONAL MILITARY TIES TO THE US AND ITS DESIRE TO STRENGTHEN POLITICAL TIES. THE SYSTEMS SUPPORT AGREEMENTS WITH THE US ARE MORE ADVANTAGEOUS IN COST AND EFFECTIVENESS.
THE ONE MAJOR COMMERCIAL PURCHASE FROM THE US IS A MULTI-YEAR APPROXIMATELY US\$35 MILLION CONTRACT TO PURCHASE PSMM'S FROM THE TACOMA BOAT COMPANY. THIS CONTRACT IS IN LINE WITH US-SUPPORTED GROC DEFENSE PRIORITIES. THE ONE MAJOR THIRD COUNTRY ACQUISITION IS A LIMITED

NUMBER OF GABRIEL MISSILES WHICH WERE PURCHASED AGAINST
AN URGENT DEFENSE REQUIREMENT BECAUSE THE ROC HAS NOT BEEN
CLEARED TO BUY US SURFACE-TO-SURFACE MISSILES IN RESPONSE
TO THE GROWING PRC STYX MISSILE BOAT THREAT.
END CONFIDENTIAL. POPPLE

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, COLLECTIVE SECURITY, CREDIT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TAIPEI00641
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760031-1003
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760112/aaaaakcw.tel
Line Count: 174
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION PM
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 76 STATE 17013
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 15 JAN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JAN 2004 by morefirh>; APPROVED <22 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY 1977 MILITARY SECURITY ASSISTANCE
TAGS: MASS, TW, US
To: STATE DOD
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006